

e-Banking in Kenya: Practical lessons to be drawn from Commercial Bank of Africa

By
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1. Introduction

Electronic Banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution (FinCen, 2000). It is the use of electronic means to deliver banking services, mainly through the Internet. The term is also used to refer to ATMs, telephone banking, use of plastic money, mobile phone banking and electronic funds transfers.

Common embodiments of e-banking include the following:

- Mobile/SMS Banking
- Telephone Banking
- Electronic funds transfers
- Self Service (PC) Banking
- POS Banking (Credit and Debit cards)
- ATMs
- Interactive TV
- Branchless Banking
- Intranet

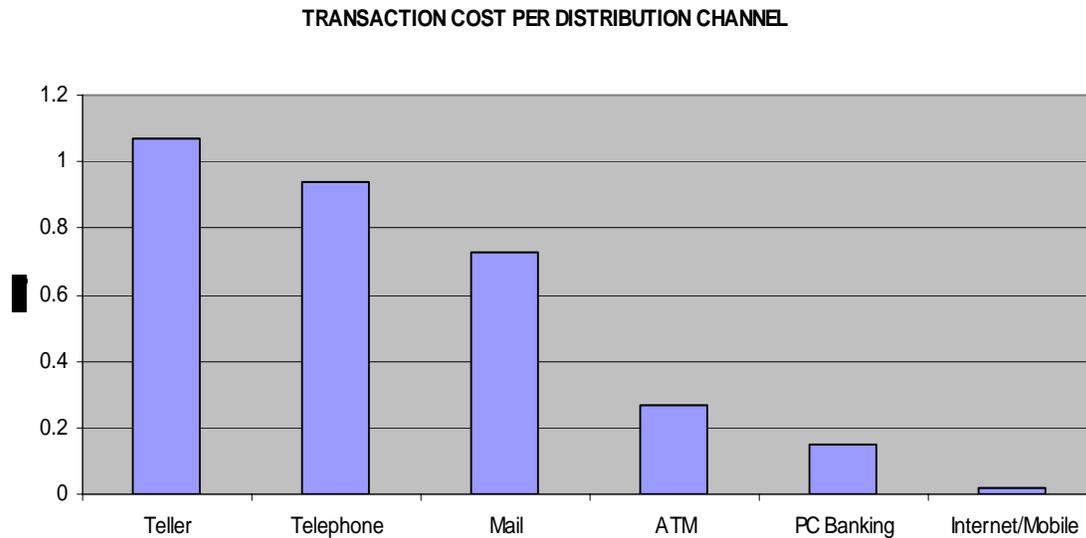
Information Technology (IT) offers banks the potential to dramatically reduce operating costs and improves the quality of management information hence making banking more profitable.

IT has been, and continues to be, the core focus of Commercial Bank of Africa's operations and strategic direction since the early 90's. Over the period the bank experienced:

- Rapidly changing customers' needs and preferences
- Competitive forces and product differentiation strategies
- Need to enhance of Customer Relationship Management
- Pressure to reduce transactional and operation costs and pass the benefits to customers.

2. The huge potential of technological innovation

An assessment of banking sector operations indicates that Internet banking has been growing steadily. Most of the bank's operations are around the tellers and telephone but there is a remarkable growth in Internet/ mobile banking as the graph below shows.



Source: BAI

3. Major advantages

Internet Banking (cba@net) provides one with opportunities to transact wherever and *whenever it suits you - 24/7*

- Access their account information and transactions.
- Possibility to make electronic funds transfers.
- View, download and print statements.
- View CBA's up-to-date daily exchange rates.
- Transfer funds between your personal accounts
- Provides an Easy set-up and a user-friendly and secure environment. The system uses PIN and phone number combinations to ensure maximum security.
- User support from highly trained and experienced customer service teams.

4. Challenges to growth of e-banking

E-banking despite its promised goodies has a number of constraints that have to be overcome:

- Security: Majority of the customer shy away from E-Banking services due to security concerns. There is struggle to strike a balance between convenience and security.
- Human face: According to some analysts, customers still value personalized and responsive services from their bankers.
- Ignorance: “on average 30% of bank customers do not even know whether their banks provide online services.” (BBC News).
- Computer illiteracy among majority of the population is still significantly high especially in Africa.
- Poor and/or lack of technological infrastructure and reliable power supply.
- Lack of proper legislation governing e-transactions and general growth of e-banking.
- Preference to paper money, as opposed to “virtual” cash in transactions.
- Designing products that offer a balance between competitive pricing and functionality.
- Keeping abreast with dynamism of customer needs & innovation

5. Conclusion

e-banking at CBA offers a unique opportunity to reach a higher number of our target customers without necessarily increasing physical branches and enhancing our product offering through innovation.

Despite all the challenges mentioned, more customers are now switching to e-banking as means of banking.

References

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Cite this article as :

Awuondo, I. (2007). *e-Banking in Kenya: Practical lessons to be drawn from Commercial Bank of Africa*. **In** M. Kashorda, F. Acosta and C. Nyandiere (eds). *ICT Infrastructure, Applications, Society and Education: Proceedings of the Seventh Annual Strathmore University ICT Conference*. Strathmore University Press: Nairobi